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SUBJECT: ATLANTIC CANADA: PREMIERS TALK TO THE AMBASSADOR ON REGIONAL ISSUES

REF: A) HALIFAX 176; B) HALIFAX 190; C) HALIFAX 209

1. (U) SUMMARY: The Ambassador's trips to Atlantic Canada have now given him the opportunity to meet with each of the region's four provincial Premiers. All profess interest in strong and close trade relations with the U.S. and all have been active in engaging their American counterparts in state governments on bilateral concerns. Key issues for the Premiers include softwood lumber and their perception that tightening border controls are hurting trade and will harm traditions of cross-border cooperation, cutting travel and tourism in both directions. END SUMMARY.

THE ATLANTIC PREMIERS

2. (U) Ambassador Wilkins has made five trips to Atlantic Canada during his first few months in office, meeting a lot of people with each visit, including the four provincial Premiers. The region's historic ties of family and commerce to the U.S. have been brought out by the Premiers in their conversations with the Ambassador. They have also given him a flavor for some of the issues that confront the provincial governments in this "have-not" region of the country. For each province, relations with the U.S. are vital to the economy, whether in the case of energy development and exports from Nova Scotia and Newfoundland-Labrador, export markets for New Brunswick or tourist visits in the case of Prince Edward Island.

3. (SBU) Although Atlantic Canada bucked a national tide in the last federal election and remained largely loyal to the Liberal party, at the provincial level the story is a different one. Each provincial government is led by the Progressive Conservative party, something that adds an additional level of complexity to already-complicated federal-provincial relations. For Atlantic Canadian Premiers the solutions to a number of their most pressing concerns -- for example seeking to carve out lumber exports from the region from U.S. duties -- lie with the federal government and its management of relations with the U.S. and are not within provincial jurisdiction. Issues such as ballistic missile defense and participation in Operation Enduring Freedom that have contributed to "scratchiness" in bilateral relations are likewise out of their control (although one Premier, Danny Williams, has been outspoken in his support for missile defense). This can lead provincial leaders -- particularly those in the small and relatively poor provinces of Atlantic Canada -- to feel regularly buffeted by large and rather impersonal forces as relations between Ottawa and Washington rise and fall. Each of the Premiers is usually careful to stress that contentious issues are the fault of "those guys in Ottawa," not the friendly people of Nova Scotia or PEI.

4. (SBU) Although the issues of Quebec separatism and Western alienation get most of the attention from those who worry about the future of the Canadian Confederation, talks with the Premiers tend to contain an undercurrent of alienation from Central Canada as well. Because the provinces are so dependent on Ottawa and equalization payments derived from the "have" provinces, that alienation tends to manifest itself in muttering rather than the outright defiance of other places. As a prominent economist in the region said: "We are as alienated as the West, but because we don't have any oil no one pays attention." With the increasing development of offshore energy resources may come as well an increasingly assertive attitude from the East.

NEW BRUNSWICK

5. (SBU) Premier Bernard Lord raised a number of issues with the Ambassador during their lunch in Fredericton, first among them softwood lumber. Lord noted the market-based structure of the industry in his province and the region, which stands in contrast to the provincial "stumpage" regimes in other provinces, and urged that the Atlantic provinces be exempted from the duties assessed on Canadian lumber. As the only Premier in the region whose province shares a border with the U.S. Lord also drew attention to proposed changes in border crossing documentation requirements, noting that requiring a passport would cut travel significantly and in the process harm good relations built up over generations in small towns all across the border.

16. (SBU) Lord, who is often cited as a potential Conservative leadership contender should Steven Harper leave the job, stressed the importance that he and his province attach to friendship with the U.S. He offered to help the Ambassador better understand some of the complexities of Canadian federal-provincial politics and said he would be happy to offer his thoughts on bilateral issues whenever they might be useful. (COMMENT: Lord's is definitely a phone number to keep handy in the Rolodex. END COMMENT.)

NOVA SCOTIA

17. (U) John Hamm told the Ambassador when they met that softwood lumber was a key issue for Nova Scotia. Like his counterparts he stressed the need to keep the border open and the trade flowing. He expressed satisfaction at the resolution of the restrictions on Canadian beef imports and noted the major role that U.S. trade and investment has in the Nova Scotia economy, particularly in the offshore energy sector and the pipeline that runs across the province taking Sable Island natural gas to markets in the Boston area. Hamm has frequently stressed the warm relations between the people of the province, particularly Halifax, and those of Boston; the province sends a Christmas tree to Boston every year as a token of thanks for the immediate assistance provided after the Halifax explosion of 1917 killed nearly 2,000 and devastated the north end of the city.

18. (SBU) Hamm's just-announced plan to retire once his successor is chosen should not affect our relations with the province. (See ref C.)

NEWFOUNDLAND-LABRADOR

19. (SBU) Premier Danny Williams's top issue when he met with the Ambassador was training by U.S. military and National Guard units at 5 Wing Goose Bay in Labrador. More than other Premiers, Williams has focused on defense and security issues, calling publicly for the federal government to support missile defense and increase coastal patrols by the military and the RCMP to keep out drug smugglers and potential terrorists. Williams said he appreciated USG forthrightness in discussing a satellite launch that appeared to have the potential to drop debris near offshore oil facilities and force their shutdown. In addition to 5 Wing he also appealed for USG support to prevent overfishing and depletion of fish stocks on the Grand Banks.

110. (U) Williams was clear on the importance of the U.S. to Newfoundland-Labrador and on his desire to establish a good relationship with the Ambassador. He was particularly impressed that the President brought up the issue of overfishing when Williams saw him during the December visit to Halifax. Williams clearly understands the importance of the U.S. market for Newfoundland-Labrador's current and potential energy exports, both offshore oil and hydroelectric power from the proposed Lower Churchill Falls hydroelectric development, as well as iron ore and nickel exports from Labrador.

111. (U) Perhaps more than other Premiers, Williams stressed the personal side of his province's relations with the U.S., recalling the significant numbers of U.S. military personnel who were stationed in Newfoundland-Labrador both before and after the province joined Confederation. He highlighted the importance of family ties, in particular the numbers of Newfoundland women who married Americans and moved to the U.S., as well as the numbers of Americans who settled in the province after their marriage to Newfoundlanders.

PRINCE EDWARD ISLAND

112. (U) Premier Pat Binns told the Ambassador that the free flow of trade was essential for PEI, particularly agricultural trade such as potatoes. He said that, with tourism a major source of employment on the Island, anything that would slow down or deter tourists from the U.S. would have a negative impact on the economy. Unlike his counterparts, Binns had no specific current problems to raise; the province has little forest land and no significant softwood lumber production.

COMMENT

113. (SBU) Although the four Atlantic provinces are different in many respects, they all share longstanding ties to the U.S. that in many cases predate the establishment of both countries. They also share a reliance on U.S. markets and tourists for economic growth. In their talks with the Ambassador the four Premiers have all been careful to highlight the positive while noting areas of concern like softwood lumber and tightening border controls.

